

Senate File 575 - Introduced

SENATE FILE 575

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SF 408)

(SUCCESSOR TO SSB 1087)

A BILL FOR

1 An Act relating to the economic development authority,
2 including renewable chemical production, workforce housing,
3 and innovation fund tax credits, the Iowa wine, beer, and
4 spirits promotion board, and the beer and liquor control
5 fund, and including applicability provisions.
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35

DIVISION I
TAX CREDITS

Section 1. Section 15.119, subsection 2, paragraph h, Code 2023, is amended to read as follows:

h. The renewable chemical production tax credit program administered pursuant to [sections 15.315 through 15.322](#). In allocating tax credits pursuant to [this subsection](#) for the fiscal year beginning July 1, 2021, and for each fiscal year ~~thereafter~~ beginning before July 1, 2037, the authority shall not allocate more than five million dollars for purposes of this paragraph. This paragraph is repealed July 1, ~~2030~~ 2039.

Sec. 2. Section 15.316, subsection 3, Code 2023, is amended to read as follows:

3. *"Building block chemical"* means a molecule converted from biomass feedstock as a first product or a secondarily derived product that can be further refined into a higher-value chemical, material, or consumer product. *"Building block chemical"* includes but is not limited to high-purity glycerol, oleic acid, lauric acid, methanoic or formic acid, arabonic acid, erythronic acid, glyceric acid, glycolic acid, lactic acid, 3-hydroxypropionate, propionic acid, malonic acid, ~~serine~~, succinic acid, fumaric acid, malic acid, aspartic acid, 3-hydroxybutyrolactone, acetoin, ~~threonine~~, itaconic acid, furfural, levulinic acid, glutamic acid, xylonic acid, xylaric acid, xylitol, arabitol, citric acid, aconitic acid, 5-hydroxymethylfurfural, ~~lysine~~, gluconic acid, glucaric acid, sorbitol, gallic acid, ferulic acid, butyric acid, nonfuel butanol, ~~nonfuel ethanol~~, or such additional molecules as may be included by the authority by rule after consultation with appropriate experts from Iowa state university, including but not limited to the Iowa state university center for biorenewable chemicals.

Sec. 3. Section 15.318, subsection 1, Code 2023, is amended by adding the following new paragraph:

NEW PARAGRAPH. *f.* All complete applications submitted

1 by eligible businesses shall be reviewed and scored on a
2 competitive basis by the authority pursuant to rules adopted
3 by the authority.

4 Sec. 4. Section 15.318, subsection 2, paragraphs c and d,
5 Code 2023, are amended to read as follows:

6 c. An eligible business shall fulfill all the requirements
7 of the program and the agreement before ~~receiving the authority~~
8 issues the business a tax credit certificate or entering enters
9 into a subsequent agreement with the business under this
10 section. The authority may decline to enter into a subsequent
11 agreement with the business under this section or to issue a
12 tax credit if an agreement is not successfully fulfilled.

13 d. Upon establishing that all requirements of the program
14 and the agreement have been fulfilled, the authority shall
15 issue a tax credit ~~and related tax credit~~ certificate to the
16 eligible business stating the amount of renewable chemical
17 production tax credit the eligible business may claim.

18 Sec. 5. Section 15.318, subsection 3, paragraphs a, d, and
19 e, Code 2023, are amended to read as follows:

20 a. The maximum amount of tax credit that the authority may
21 ~~be issued~~ issue under section 15.319 to an eligible business
22 for the production of renewable chemicals in a calendar year
23 ~~shall not exceed the following:~~

24 ~~(1) In the case of an eligible business that has been in~~
25 ~~operation in the state for five years or less at the time of~~
26 ~~application,~~ is one million dollars.

27 ~~(2) In the case of an eligible business that has been in~~
28 ~~operation in the state for more than five years at the time of~~
29 ~~application,~~ five hundred thousand dollars.

30 ~~An~~ The authority shall not issue an eligible business
31 ~~shall not receive more than five tax credits~~ credit
32 certificates under the program.

33 ~~e. The authority shall issue tax credits under the program~~
34 ~~on a first-come, first-served basis until the maximum amount of~~
35 ~~tax credits allocated pursuant to section 15.119, subsection~~

1 ~~2, paragraph "h", is reached. The authority shall maintain a~~
2 ~~list of successful applicants under the program, so that if the~~
3 ~~maximum aggregate amount of tax credits is reached in a given~~
4 ~~fiscal year, eligible businesses that successfully applied~~
5 ~~but for which tax credits were not issued shall be placed on~~
6 ~~a wait list in the order the eligible businesses applied and~~
7 ~~shall be given priority for receiving tax credits in succeeding~~
8 ~~fiscal years. Placement on a wait list pursuant to this~~
9 ~~paragraph shall not constitute a promise binding the state.~~
10 ~~The availability of a tax credit and issuance of a tax credit~~
11 ~~certificate pursuant to [this subsection](#) in a future fiscal year~~
12 ~~is contingent upon the availability of tax credits in that~~
13 ~~particular fiscal year. In each fiscal year beginning on or~~
14 ~~after July 1, 2023, and ending on or before June 30, 2036, the~~
15 ~~authority may award an amount of tax credits under the program~~
16 ~~not to exceed the maximum aggregate amount allocated in section~~
17 ~~15.119, subsection 2, paragraph "h".~~

18 Sec. 6. Section 15.319, subsection 1, Code 2023, is amended
19 to read as follows:

20 1. An eligible business that has entered into an agreement
21 pursuant to [section 15.318](#) may claim a tax credit in an amount
22 equal to the product of five cents multiplied by the number
23 of pounds of renewable chemicals produced in this state from
24 biomass feedstock by the eligible business during the calendar
25 year in excess of the eligible business's pre-eligibility
26 production threshold. However, an eligible business shall
27 not receive a tax credit for the production of a secondarily
28 derived building block chemical if that chemical is also the
29 subject of a credit at the time of production as a first
30 product. The renewable chemical production tax credit shall
31 not be available for any renewable chemical produced before the
32 2017 calendar year or after the ~~2026~~ 2035 calendar year.

33 Sec. 7. Section 15.320, subsection 1, Code 2023, is amended
34 to read as follows:

35 1. For purposes of [this section](#), "successful tax credit

1 *applicant* includes, with respect to each calendar year, an
2 eligible business that was issued a tax credit certificate for
3 production of renewable chemicals during that calendar year,
4 ~~and an eligible business that successfully applied for a tax~~
5 ~~credit for the production of renewable chemicals during that~~
6 ~~calendar year, but was not issued a tax credit and was instead~~
7 ~~placed on a wait list pursuant to section 15.318, subsection~~
8 ~~3, paragraph "e".~~

9 Sec. 8. Section 15.320, subsection 2, Code 2023, is amended
10 by striking the subsection and inserting in lieu thereof the
11 following:

12 2. By January 31 of each year, the board, in cooperation
13 with the department of revenue, shall submit to the general
14 assembly and to the governor a report describing the activities
15 of the program for the most recent calendar year for which the
16 tax credit application period has ended pursuant to section
17 15.318, subsection 1, paragraph "d". The report shall, at a
18 minimum, include the following information:

19 a. The aggregate number of pounds, and a list of each type,
20 of renewable chemicals produced in Iowa by all successful
21 tax credit applicants during the calendar year prior to the
22 calendar year for which the successful applicants first applied
23 for a tax credit under the program.

24 b. The aggregate number of pounds, and a list of each type,
25 of renewable chemicals produced in Iowa by all successful tax
26 credit applicants during each calendar year.

27 c. The number of employees located in Iowa of all successful
28 tax credit applicants during the calendar year prior to the
29 calendar year for which the successful applicants first applied
30 for a tax credit under the program.

31 d. The number of employees located in Iowa of all successful
32 tax credit applicants during each calendar year.

33 e. For each eligible business issued a renewable chemical
34 production tax credit during each calendar year:

35 (1) The identity of the eligible business.

1 (2) The amount of the tax credit.

2 (3) The manner in which the eligible business first
3 qualified as an eligible business under section 15.317,
4 subsection 4, whether by organizing, expanding, or locating in
5 the state.

6 *f.* The total amount of all renewable chemical production tax
7 credits claimed during each calendar year, and the portion of
8 the claims issued as a refund.

9 Sec. 9. Section 15.320, subsection 3, Code 2023, is amended
10 to read as follows:

11 3. To protect the presumption of confidentiality
12 established in [section 15.318, subsection 5](#), the board shall
13 report all information in an aggregate form to prevent,
14 as much as possible, information being attributable to any
15 particular eligible business, except as provided in subsection
16 2, paragraph ~~"k"~~ "e".

17 Sec. 10. Section 15.322, Code 2023, is amended to read as
18 follows:

19 **15.322 Future repeal.**

20 Section 15.315, [15.316](#), [15.317](#), [15.318](#), [15.319](#), [15.320](#),
21 [15.321](#), and [this section](#), are repealed July 1, ~~2030~~ 2039.

22 Sec. 11. Section 15.353, subsection 2, paragraph d, Code
23 2023, is amended to read as follows:

24 ~~*d.* For a housing project located in a small city that~~
25 ~~meets program requirements under [subsection 1](#), paragraph "a",~~
26 ~~development Construction of new dwelling units at a greenfield~~
27 ~~site.~~

28 Sec. 12. Section 15E.52, subsection 5, paragraph b, Code
29 2023, is amended by striking the paragraph.

30 Sec. 13. Section 15E.52, subsection 10, paragraph b, Code
31 2023, is amended by striking the paragraph.

32 Sec. 14. Section 422.10B, Code 2023, is amended to read as
33 follows:

34 **422.10B Renewable chemical production tax credit.**

35 The taxes imposed under [this subchapter](#), less the credits

1 allowed under [section 422.12](#), shall be reduced by a renewable
2 chemical production tax credit allowed under [section 15.319](#).
3 This section is repealed January 1, ~~2033~~ 2041.

4 Sec. 15. Section 422.33, subsection 22, Code 2023, is
5 amended to read as follows:

6 22. The taxes imposed under [this subchapter](#) shall be reduced
7 by a renewable chemical production tax credit allowed under
8 section 15.319. [This subsection](#) is repealed January 1, ~~2033~~
9 2041.

10 Sec. 16. APPLICABILITY.

11 1. The following apply to all applications submitted to the
12 renewable chemical production tax credit program on or after
13 July 1, 2023:

14 a. The section of this division of this Act amending section
15 15.316, subsection 3.

16 b. The section of this division of this Act amending section
17 15.318, subsection 1.

18 c. The section of this division of this Act amending section
19 15.318, subsection 3, paragraphs "a", "d", and "e".

20 2. The following apply to all eligible businesses placed on
21 a wait list pursuant to section 15.318, subsection 3, paragraph
22 "e", on or before June 30, 2023:

23 a. The portion of the section of this division of this Act
24 amending section 15.318, subsection 3, paragraph "e".

25 b. The section of this division of this Act amending section
26 15.320, subsection 1.

27 3. The following applies to all applications submitted for
28 innovation fund tax credits, administered pursuant to section
29 15E.52, placed on a wait list pursuant to section 15E.52,
30 subsection 5, paragraph "b":

31 The section of this division of this Act amending section
32 15E.52, subsection 5, paragraph "b".

33

DIVISION II

34

IOWA WINE, BEER, AND SPIRITS PROMOTION BOARD

35

Sec. 17. Section 15E.116, Code 2023, is amended to read as

1 follows:

2 **15E.116 Iowa wine, and beer, and spirits promotion board.**

3 An Iowa wine, and beer, and spirits promotion board is
4 created. The board consists of ~~three~~ four members appointed
5 by the director of the ~~economic development~~ authority. Each
6 member shall serve a term of two years on the board. One member
7 shall represent the authority, one member shall represent the
8 Iowa wine makers, and one member shall represent the Iowa beer
9 makers, and one member shall represent Iowa distilleries. The
10 board shall advise the authority on the best means to promote
11 wine, and beer, and spirits made in Iowa.

12 Sec. 18. Section 15E.117, Code 2023, is amended to read as
13 follows:

14 **15E.117 Promotion of Iowa wine, and beer, and spirits.**

15 1. The ~~economic development~~ authority shall consult with
16 the Iowa wine, and beer, and spirits promotion board on the
17 best means to promote wine, and beer, and spirits made in Iowa.

18 2. The authority ~~has~~ shall have the authority to contract
19 with private persons for the promotion of beer, and wine, and
20 spirits made in Iowa.

21 3. Moneys appropriated to the authority pursuant to
22 sections 123.143 and 123.183, and moneys transferred to the
23 authority pursuant to section 123.17, subsection 8A, may
24 be used by the authority for the purposes of this section,
25 including administrative expenses incurred under this section.

26 Sec. 19. Section 123.17, Code 2023, is amended by adding the
27 following new subsection:

28 NEW SUBSECTION. 8A. After any transfers provided for
29 in subsections 3, 5, 6, 7, and 8 are made, and before any
30 other transfer to the general fund, the department of commerce
31 shall transfer to the economic development authority from the
32 beer and liquor control fund the lesser of two hundred fifty
33 thousand dollars or one percent of the gross sales of native
34 distilled spirits by all class "A" native distilled spirits
35 license holders made by the division for the purposes of

1 promoting Iowa wine, beer, and spirits.

2 EXPLANATION

3 The inclusion of this explanation does not constitute agreement with
4 the explanation's substance by the members of the general assembly.

5 This bill relates to the economic development authority,
6 including renewable chemical production, workforce housing, and
7 innovation fund tax credits, the Iowa wine, beer, and spirits
8 promotion board, and the beer and liquor control fund. The
9 bill is divided into two divisions.

10 DIVISION I — TAX CREDITS. The bill extends the future
11 repeal date for the renewable chemical production tax credit
12 program (chemical program) from July 1, 2030, to July 1, 2039.
13 The bill also extends the availability of the chemical program
14 credit for any renewable chemical produced prior to the end of
15 calendar year 2035, rather than the end of calendar year 2026.

16 Under the bill, serine, threonine, lysine, and nonfuel
17 ethanol are removed from the definition of "building block
18 chemical" for purposes of the chemical program. All completed
19 applications submitted by eligible businesses to the chemical
20 program must be reviewed and scored on a competitive basis by
21 the economic development authority (authority) pursuant to
22 rules adopted by the authority, and \$1 million is the maximum
23 amount of credit that may be issued to an eligible business in
24 a calendar year. Under current law, if an eligible business
25 has been in operation in the state for five years or less at
26 the time of application, the maximum credit is \$1 million. If
27 the business has been in operation more than five years, the
28 maximum is \$500,000. The bill eliminates the wait list the
29 authority must currently maintain for the chemical program.
30 Under the bill, the authority may award an amount of credits
31 under the chemical program not to exceed the maximum aggregate
32 amount allocated in Code section 15.119(2)(h) for each fiscal
33 year beginning on or after July 1, 2023, and ending on or
34 before June 30, 2036. Information regarding the chemical
35 program that must be submitted to the general assembly and

1 to the governor by January 31 each year is detailed in the
2 bill and differs from the requirements under current law. The
3 bill extends the future repeal of the chemical program credit
4 allowed under Code sections 422.10B and 422.33 from January 1,
5 2033, to January 1, 2041.

6 Under current law, a proposed housing project must be
7 located in a small city and include two or more single-family
8 dwelling units in order for development at a greenfield site to
9 be eligible for workforce housing tax incentives. Under the
10 bill, construction of new dwellings at a greenfield site may
11 be eligible for workforce housing tax incentives. The bill
12 eliminates the wait list for the innovation fund tax credit.

13 The bill makes conforming changes to Code section
14 15.318(2)(c)-(d).

15 The sections of this division of the bill amending Code
16 sections 15.316(3), 15.318(1), 15.318(3)(a), 15.318(3)(d),
17 and 15.318(3)(e) apply to all applications submitted to the
18 chemical program on or after July 1, 2023. The sections of the
19 division of the bill amending Code sections 15.318(3)(e) and
20 15.320(1) apply to all eligible businesses placed on a wait
21 list for the program pursuant to Code section 15.318(3)(e) on
22 or before June 30, 2023.

23 The section of this division of the bill amending Code
24 section 15E.52(5)(b) applies to all applications submitted for
25 innovation fund tax credits, administered pursuant to Code
26 section 15E.52, placed on a wait list pursuant to Code section
27 15E.52(5)(b).

28 DIVISION II — IOWA WINE, BEER, AND SPIRITS PROMOTION
29 BOARD. This division of the bill modifies the Iowa wine and
30 beer promotion board (promotion board) by adding spirits, and
31 adds a fourth member to the promotion board to represent Iowa
32 distilleries. The current promotion board has three members.
33 In addition to advising the authority on the promotion of
34 Iowa-made beer and wine, the bill requires the promotion board
35 to advise the authority on the promotion of spirits made in

1 Iowa. The authority must consult with the promotion board on
2 the best means to promote spirits made in Iowa, and permits the
3 authority to contract with private persons for the promotion
4 of spirits made in Iowa.

5 The bill requires the department of commerce, after certain
6 other transfers required by current law from the beer and
7 liquor control fund are made, to transfer to the authority the
8 lesser of \$250,000 or 1 percent of the gross sales of native
9 distilled spirits by all class "A" native distilled spirits
10 license holders made by the alcoholic beverages division. The
11 transferred moneys may be used by the authority to promote
12 wine, beer, and spirits made in Iowa, and for administrative
13 expenses related to such promotion.